COMPANY UPDATE

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EV/Mobility Team

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KCC (002380)

4Q review; earnings and share momentum to prove strong in 2026

- KCC Corporation's 4Q operating profit of KRW66.5b (-43% q-q) missed consensus (KRW78b) by 15%, primarily due to a reduction in silicon sales volume and the recognition of one-off costs.
- Reflecting the hike in investment asset value and the potential to leverage them, we increase our target price by 12% to KRW650,000. On prospect of solid earnings and share momentum this year, we keep the stock as our sector top pick.

WHAT'S THE STORY?

View—2026 earnings outlook and momentum both strong: Reflecting the increase in the value of its investment holdings and the potential to leverage them, we lower the NAV discount (from 75% to 65%) and increase our target price for the stock by 12% to KRW650,000. With the full-year 2026 operating profit expected to hit KRW471b (the highest in the firm's history), momentum of its asset values (treasury shares and investment assets) should strengthen further with the enforcement of the revised Commercial Act taking effect in 2026. On prospect of solid earnings and share momentum this year, we keep the stock as our sector top pick.

(Continued on the next page)

AT A GLANCE

BUY

Target price	KRW650,000	18.4%
Current price	**KRW549,000**	
Market cap	KRW4.9t/USD3.4b	
Shares (float)	8,886,471 (48.2%)	
52-week high/low	KRW549,000/KRW231,500	
Avg daily trading value (60-day)	KRW12.7b/ USD8.7m	

ONE-YEAR PERFORMANCE

	1M	6M	12M
KCC (%)	37.3	44.9	106.0
Vs Kospi (%pts)	17.6	-13.2	-2.3

KEY CHANGES

(KRW)	New	Old	Diff
Recommend.	BUY	BUY	
Target price	650,000	580,000	12.1%
2025E EPS	173,128	173,128	0.0%
2026E EPS	113,556	113,556	0.0%

SAMSUNG vs THE STREET

No of estimates	6
Target price	554,333
Recommendation	4.0

※ Rating: 4 < → BUY, 3 = HOLD, 2 > → SELL

SUMMARY 4Q RESULTS

(KRWb)	4Q25	Chg		Diff (%)	
		(% y-y)	(% q-q)	Samsung	Consensus
Sales	1,556.4	-6.1	-4.1	-0.0	-3.6
Operating profit	66.5	-32.4	-43.3	-0.0	-14.2
Pre-tax profit	567.3	nm	18.3	0.0	-15.8
Net profit	274.8	nm	-15.8	-0.0	-56.2
Margins (%)					
Operating profit	4.3				
Pre-tax profit	36.4				
Net profit	17.7				

Source: Company data, Fnguide, Samsung Securities estimates

VALUATION SUMMARY

	2024	2025E	2026E
Valuation (x)			
P/E	6.7	2.4	4.8
P/B	0.3	0.4	0.5
EV/EBITDA	7.3	9.3	9.4
Div yield (%)	4.2	2.4	1.8
EPS growth (% y-y)	46.0	395.4	-34.4
ROE (%)	6.1	24.7	12.8
Per-share data (KRW)			
EPS	34,948	173,128	113,556
BVPS	685,232	1,009,826	1,137,042
DPS	10,000	10,000	10,000

4Q review—results miss consensus: KCC reported a 4Q operating profit of KRW66.5b (-43% q-q), missing consensus (KRW78b; FnGuide) by 15% and topping our forecast (KRW54.3b) by 22%. The chief difference from our forecast was attributable to small-than-forecast results at the silicone business and better-than-forecast results at the building materials and coatings divisions. A breakdown of the operating profit by division has yet to be disclosed, but we believe the silicone division contributed KRW200m (-99% q-q), the building materials division contributed KRW23.7b (-29% q-q), the coatings division contributed KRW40.5b (-29% q-q) and the others division contributed a loss of KRW5b (widening by KRW4.7b). The silicone division's profitability was dented by a higher fixed cost burden resulting from lower sales volume and one-off costs. The building materials division's operating profit held steady q-q in spite of reduced sales and one-off factors. The coatings business was affected by weak sales in China and one-off costs, but defended profitability on strong sales of high-margin products (eg, vessel-use products). Revaluation gains on investment assets, reflected in net profit, are estimated at around KRW900b (+KRW407b q-q) thanks to the continued strength in Samsung C&T's share price.

1Q26 preview—earnings to meet consensus: We foresee a 1Q operating profit of KRW109.5b (+65% q-q), which is 4% below consensus (KRW114.6; FnGuide). The improvement should be driven by a low base (from absence of one-off costs recognized in 4Q25) and recovery in downstream demand. We believe operating profit will come in at: 1) KRW25.6b at the silicone business, backed by an 8% q-q rise in sales volume; 2) KRW23.4b at the building materials division, benefiting from the absence of one-off costs—2H26 earnings should improve h-h on the progress of semiconductor plant construction in Korea; and 3) KRW55.7b at the coatings division, backed by high profitability of vessel-use products and the absence of one-offs. Meanwhile, shares in investment assets rose further in 1Q26 to date, which should result in an additional KRW887b in non-operating profit, even under conservative assumptions.

KCC: SOTP valuation

(KRWb)	12MF EBITDA	Multiples (x)	EV	Details
Operating value (A)				
Silicone	357	9.4	3,365	Peers (Dow, Wacker, Shin-Etsu); **Revised up from 8.9x**
Building materials	155	6.1	940	Peers (LX Hausys, Nippon Sheet Glass, Saint Gobain, Owens Corning)
Coatings	263	9.8	2,571	Peers (Akzo Nobel, PPG Industries, Nippon Paint Holdings); **Revised up from 9.2x**
Others	95	8.4	801	Applying the average multiples to the silicone/building materials/coatings segment; **Revised up from 8.0x**
Total	**870**	**8.8**	**7,676**	**12-month forward EBITDA; revised up by 1.4% from KRW868b**
Net Asset Value (B)			2,521	65%* discount on investment assets; **Revised up from KRW1.73t**
Net debt (C)			4,376	End 2026E
Fair market cap (E = A + B - C)			**5,820**	
Total shares outstanding ('000)			8,886	
Fair price (KRW)			654,944	
Target price (KRW)			**650,000**	**Revised up by 12% (from KRW580,000)**
Current price (KRW)			489,500	As of Feb 10 close
Upside (%)			32.8	
2026 implied P/E (x)			5.7	
2027 implied P/E (x)			27.3	
2026 implied P/B (x)			0.57	
2027 implied P/B (x)			0.56	

Note: * Applying a 65% NAV discount to the listed company's shares (discount depth reduced from the previous 75%).
Source: Bloomberg, Samsung Securities estimates

KCC: Status of financial assets measured at fair value through profit or loss (FVTPL)

(KRWb)	Ownership (%)	Acquisition cost	Fair value						
			End-2023	End-2024	End-1Q25	End-2Q25	End-3Q25	End-4Q25	Now*
Samsung C&T	10.01	1,081.1	2,405.8	2,043.0	1,989.0	2,746.2	3,140.9	4,075.0	5,393.6
HD Korea Shipbuilding & Offshore Engineering	3.91	173.0	334.6	630.9	556.2	1,012.8	1,137.3	1,126.3	1,057.1
Hyundai Mobis	0.001	0.0	0.2	0.2	0.2	0.3	0.3	0.3	0.4
HDC	1.79	5.6	7.4	12.7	15.9	25.1	18.6	20.0	22.1
HDC Hyundai Development Company	2.37	18.3	22.8	28.2	31.2	35.1	31.8	34.2	36.8
Hyundai Corporation	12.00	31.1	30.0	30.3	34.8	46.0	33.6	34.2	39.5
Hyundai Corporation Holdings	12.00	25.4	11.7	11.2	11.3	14.2	13.3	13.3	14.0
HL D&I	9.78	50.0	7.6	8.2	8.1	9.9	8.8	10.0	11.8
HL Holdings	4.59	27.2	15.5	15.5	14.9	17.5	16.7	19.0	19.2
Total		**1,411.7**	**2,835.6**	**2,780.4**	**2,661.8**	**3,907.1**	**4,401.4**	**5,332.3**	**6,594.6**

Note: * As of Feb 10 close
Source: Company data, Samsung Securities

KCC: 4Q25 results

(KRWb)	4Q25	3Q25	4Q24	Consensus	Samsung	Diff (%)			
						(% q-q)	(% y-y)	Consensus	Samsung
Sales	1,556	1,623	1,657	1,614	1,563	-4.1	-6.1	-3.6	-0.4
Operating income	67	117	98	78	54	-43.3	-32.3	-14.7	22.5
Pre-tax income	567	479	-153	674	886	18.3	Turned pos	-15.8	-36.0
Net income	275	326	-84	628	603	-15.8	Turned pos	-56.2	-54.4
Attributable to parent	275	326	-84	512	603	-15.8	Turned pos	-46.3	-54.4
Margins (%)									
Operating income	4.3	7.2	5.9	4.8	3.5				
Pre-tax income	36.4	29.5	-9.3	41.8	56.7				
Net income	17.7	20.1	-5.1	38.9	38.6				
Attributable to parent	17.7	20.1	-5.1	31.7	38.6				

Source: Company data, FnGuide, Samsung Securities estimates

KCC: 4Q25 results, by division

(KRWb)	4Q25	3Q25	4Q24	Chg (% q-q)	Chg (% y-y)
Sales	**1,556**	**1,623**	**1,657**	**-4.1**	**-6.1**
Silicone	746	749	746	-0.5	0.0
Building materials	236	247	277	-4.5	-14.9
Coatings	461	483	507	-4.5	-9.1
Others	128	144	128	-11.0	0.4
Operating income	**67**	**117**	**98**	**-43.3**	**-32.3**
Silicone	0	21	26	-99.0	-99.1
Building materials	24	33	35	-29.0	-32.0
Coatings	41	57	39	-28.8	3.8
Others	-5	-0	-7	Remained neg	Remained neg
Consolidation adj.	7	6	5	23.1	38.3
Pre-tax income	567	479	-153	18.3	Turned pos
Net income	**275**	**326**	**-84**	**-15.8**	**Turned pos**
Margins (%)					
Operating income	4.3	7.2	5.9		
Silicone	0.0	2.9	3.5		
Building materials	10.1	13.5	12.6		
Coatings	8.8	11.8	7.7		
Others	-3.9	-0.2	-5.2		
Pre-tax income	36.4	29.5	-9.3		
Net income	17.7	20.1	-5.1		

Source: Company data, Samsung Securities estimates

KCC: Results and forecasts

(KRWb)	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E
KRW/USD (average)	1,453	1,401	1,387	1,449	1,450	1,400	1,350	1,315	1,365	1,422	1,379	1,315
Sales	**1,599**	**1,705**	**1,623**	**1,556**	**1,663**	**1,772**	**1,780**	**1,789**	**6,659**	**6,484**	**7,004**	**7,487**
Growth (% q-q)	-3.5	6.6	-4.8	-4.1	6.9	6.5	0.4	0.5				
Growth (% y-y)	0.7	-4.1	-0.7	-6.1	4.0	3.9	9.7	14.9	5.9	-2.6	8.0	6.9
Silicone	774	797	749	746	825	844	871	876	2,995	3,066	3,417	3,683
Building materials	232	252	247	236	229	246	259	283	1,097	967	1,017	1,107
Coatings	458	518	483	461	475	547	515	496	1,944	1,920	2,034	2,154
Others	135	138	144	128	138	138	138	138	623	546	551	556
Operating profit	**103**	**140**	**117**	**67**	**109**	**124**	**128**	**109**	**471**	**428**	**471**	**497**
Growth (% q-q)	5.2	35.7	-16.5	-43.3	64.6	13.4	3.4	-15.5				
Growth (% y-y)	-3.2	-0.1	-6.4	-32.3	5.8	-11.6	9.5	63.1	50.7	-9.2	10.0	5.7
Silicone	21	41	21	0	26	25	26	25	73	83	102	108
Growth (% q-q)	-20.5	98.5	-47.6	-99.0	11,340.9	-3.8	6.5	-2.9				
Growth (% y-y)	651.3	122.2	-17.3	-99.1	24.3	-39.8	22.6	11,294.0	Turned pos	13.9	22.7	5.5
Building materials	24	32	33	24	23	26	36	32	174	113	118	131
Growth (% q-q)	-32.0	34.4	4.8	-29.0	-1.5	12.8	34.9	-9.6				
Growth (% y-y)	-46.6	-40.3	-18.0	-32.0	-1.5	-17.3	6.4	35.5	-10.1	-35.0	4.1	11.4
Coatings	56	65	57	41	56	68	62	46	217	218	232	246
Growth (% q-q)	43.3	15.6	-11.9	-28.8	37.5	22.6	-9.6	-25.5				
Growth (% y-y)	2.4	-2.1	-0.1	3.8	-0.3	5.7	8.5	13.6	23.3	0.6	6.3	6.2
Others	-4	-1	0	-5	-1	-1	-1	-1	-12	-11	-5	-12
Growth (% q-q)	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To remain neg				
Growth (% y-y)	Remained neg	Remained neg	Remained neg	Remained neg	To remain neg	To remain neg	To remain neg	To remain neg	Turned neg	Remained neg	To remain neg	To remain neg
Consolidation adj.	8	4	6	7	6	6	6	6	20	24	24	24
Growth (% q-q)	49.2	-49.8	50.0	23.1	-14.2	0.0	0.0	0.0				
Growth (% y-y)	24.6	-6.5	17.7	38.3	-20.5	58.5	5.7	-14.2	-11.5	20.1	0.0	0.0
Pre-tax profit	75	1,267	479	567	1,014	175	176	154	470	2,389	1,520	318
Growth (% q-q)	-84.0	1,580.2	-62.2	18.3	-57.5	-82.7	0.5	-12.7				
Growth (% y-y)	-88.1	11,449.0	Turned pos	Turned pos	1,245.4	-86.2	-63.3	-72.9	92.2	408.4	-36.4	-79.0
Net profit	**44**	**893**	**326**	**275**	**674**	**116**	**117**	**102**	**293**	**1,538**	**1,009**	**211**
Growth (% q-q)	Turned pos	1,927.9	-63.5	-15.8	145.1	-82.7	0.5	-12.7				
Growth (% y-y)	-90.4	Turned pos	Turned pos	Turned pos	1,429.1	-87.0	-64.2	-62.8	217.1	424.6	-34.4	-79.0
Attributable to parent	44	893	326	275	674	116	117	102	311	1,538	1,009	211
Margins (%)												
Operating profit	6.5	8.2	7.2	4.3	6.6	7.0	7.2	6.1	7.1	6.6	6.7	6.6
Silicone	2.7	5.1	2.9	0.0	3.1	2.9	3.0	2.9	2.4	2.7	3.0	2.9
Building materials	10.2	12.7	13.5	10.1	10.2	10.7	13.7	11.4	15.8	11.7	11.6	11.8
Coatings	12.2	12.5	11.8	8.8	11.7	12.5	12.0	9.3	11.2	11.4	11.4	11.4
Others	-3.3	-0.7	-0.2	-3.9	-0.9	-0.9	-0.9	-0.9	-2.0	-1.9	-0.9	-2.1
Pre-tax profit	4.7	74.3	29.5	36.4	61.0	9.9	9.9	8.6	7.1	36.8	21.7	4.3
Net profit	2.8	52.4	20.1	17.7	40.5	6.6	6.6	5.7	4.4	23.7	14.4	2.8

Source: Company data, Samsung Securities estimates

Income statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Sales	**6,288**	**6,659**	**6,484**	**7,004**	**7,487**
Cost of goods sold	4,960	5,028	4,940	5,320	5,697
Gross profit	**1,328**	**1,631**	**1,544**	**1,683**	**1,790**
Gross margin (%)	21.1	24.5	23.8	24.0	23.9
SG&A expenses	1,016	1,160	1,117	1,213	1,293
Operating profit	**313**	**471**	**428**	**471**	**497**
Operating margin (%)	5.0	7.1	6.6	6.7	6.6
Non-operating gains (losses)	**-68**	**-1**	**1,961**	**1,049**	**-179**
Financial profit	723	709	2,617	1,102	169
Financial costs	554	770	374	390	369
Equity-method gains (losses)	-200	72	10	10	10
Other	-37	-13	-292	327	11
Pre-tax profit	**244**	**470**	**2,389**	**1,520**	**318**
Taxes	152	177	850	511	107
Effective tax rate (%)	62.2	37.6	35.6	33.6	33.6
Profit from continuing operations	93	293	1,538	1,009	211
Profit from discontinued operations	0	0	0	0	0
Net profit	**93**	**293**	**1,538**	**1,009**	**211**
Net margin (%)	1.5	4.4	23.7	14.4	2.8
Net profit (controlling interests)	213	311	1,538	1,009	211
Net profit (non-controlling interests)	-120	-17	0	0	0
EBITDA	756	913	910	983	1,039
EBITDA margin (%)	12.0	13.7	14.0	14.0	13.9
EPS (parent-based) (KRW)	23,931	34,948	173,128	113,556	23,794
EPS (consolidated) (KRW)	10,409	33,005	173,128	113,556	23,794
Adjusted EPS (KRW)*	23,931	34,948	173,128	113,556	23,794

Balance sheet

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Current assets	**4,178**	**3,994**	**4,477**	**4,611**	**5,044**
Cash & equivalents	1,045	501	1,436	1,325	1,532
Accounts receivable	1,040	1,213	1,097	1,185	1,266
Inventories	1,399	1,583	1,431	1,546	1,652
Other current assets	694	696	514	556	594
Fixed assets	**9,175**	**9,114**	**11,900**	**12,464**	**12,103**
Investment assets	3,440	3,114	5,772	6,663	6,692
Tangible assets	3,447	3,525	3,316	3,028	2,671
Intangible assets	1,282	1,407	1,364	1,326	1,292
Other long-term assets	1,007	1,068	1,448	1,448	1,448
Total assets	**13,353**	**13,109**	**16,377**	**17,075**	**17,147**
Current liabilities	**3,836**	**3,231**	**4,136**	**3,827**	**3,696**
Accounts payable	647	770	750	810	866
Short-term debt	1,217	910	910	910	910
Other current liabilities	1,972	1,550	2,476	2,107	1,920
Long-term liabilities	**4,069**	**4,838**	**4,815**	**4,885**	**4,951**
Bonds & long-term debt	3,010	3,807	3,807	3,807	3,807
Other long-term liabilities	1,059	1,031	1,008	1,078	1,144
Total liabilities	**7,906**	**8,069**	**8,951**	**8,713**	**8,647**
Owners of parent equity	**5,177**	**5,039**	**7,426**	**8,362**	**8,500**
Capital stock	48	48	48	48	48
Capital surplus	553	350	350	350	350
Retained earnings	4,902	5,166	6,631	7,567	7,704
Other	-326	-525	398	398	398
Non-controlling interests' equity	**270**	**0**	**0**	**0**	**0**
Total equity	**5,448**	**5,039**	**7,426**	**8,362**	**8,500**
Net debt	4,081	4,537	4,728	4,376	3,896

Cash flow statement

Year-end Dec 31 (KRWb)	2023	2024	2025E	2026E	2027E
Cash flow from operations	**788**	**597**	**-201**	**817**	**914**
Net profit	93	293	1,538	1,009	211
Non-cash profit and expenses	760	783	-1,097	339	829
Depreciation	397	393	439	475	507
Amortization	47	48	43	38	34
Other	316	341	-1,579	-174	287
Changes in A/L from operating activities	87	-346	208	-20	-19
Cash flow from investments	**-355**	**282**	**-258**	**-33**	**6**
Change in tangible assets	-344	-251	-230	-186	-151
Change in financial assets	-31	21	178	-30	-28
Other	19	511	-206	183	185
Cash flow from financing	**-162**	**-1,454**	**499**	**-896**	**-689**
Change in debt	390	-98	947	-432	-246
Change in equity	0	-203	0	0	0
Dividends	-59	-59	-74	-74	-74
Other	-493	-1,094	-374	-390	-369
Change in cash	268	-544	934	-110	206
Cash at beginning of year	777	1,045	501	1,436	1,325
Cash at end of year	1,045	501	1,436	1,325	1,532
Gross cash flow	**852**	**1,076**	**442**	**1,348**	**1,040**
Free cash flow	**409**	**339**	**-471**	**591**	**724**

Financial ratios

Year-end Dec 31	2023	2024	2025E	2026E	2027E
Growth (%)					
Sales	-7.2	5.9	-2.6	8.0	6.9
Operating profit	-33.2	50.7	-9.2	10.0	5.7
Net profit	222.7	217.1	424.6	-34.4	-79.0
Adjusted EPS**	528.0	46.0	395.4	-34.4	-79.0
Per-share data (KRW)					
EPS (parent-based)	23,931	34,948	173,128	113,556	23,794
EPS (consolidated)	10,409	33,005	173,128	113,556	23,794
Adjusted EPS**	23,931	34,948	173,128	113,556	23,794
BVPS	704,004	685,232	1,009,826	1,137,042	1,155,793
DPS (common)	8,000	10,000	10,000	10,000	10,000
Valuations (x)					
P/E***	9.5	6.7	2.4	4.8	23.1
P/B***	0.3	0.3	0.4	0.5	0.5
EV/EBITDA	8.4	7.3	9.3	9.4	8.4
Ratios (%)					
ROE	4.1	6.1	24.7	12.8	2.5
ROA	0.7	2.2	10.4	6.0	1.2
ROIC	1.8	4.5	4.3	5.1	5.7
Payout ratio	27.7	23.7	4.8	7.3	34.8
Dividend yield (common)	3.5	4.2	2.4	1.8	1.8
Net debt to equity	74.9	90.0	63.7	52.3	45.8
Interest coverage (x)	1.2	1.4	1.1	1.2	1.3

Note: *Excluding one-off items
**Fully diluted, excluding one-off items
***From companies subject to equity-method valuation

Source: Company data, Samsung Securities estimates

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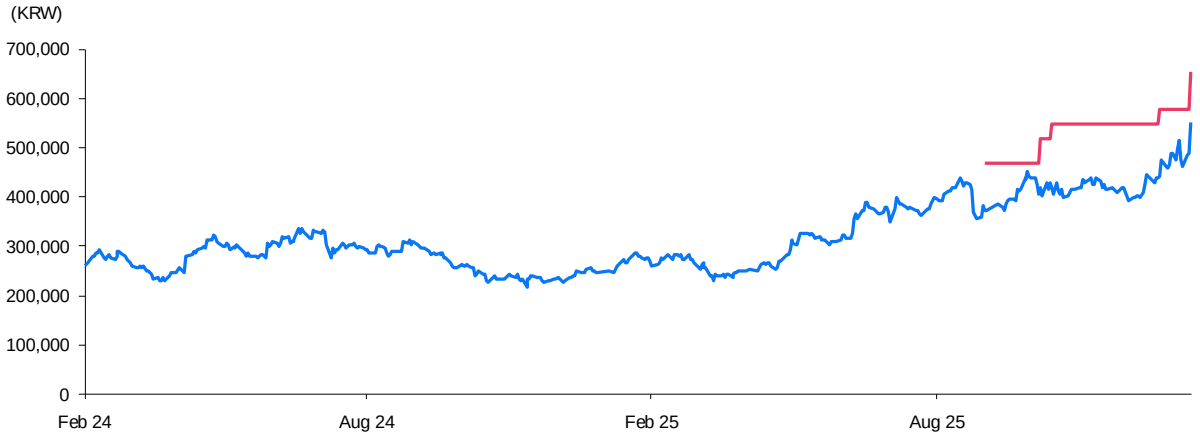
Target price changes in past two years



Rating changes over past two years (adjusted share prices)

Date	2025/10/2	11/6	11/13	2026/1/22	2/11
Recommendation	BUY	BUY	BUY	BUY	BUY
Target price (KRW)	470000	520000	550000	580000	650000
Gap* (average)	-12.30	-19.40	-23.71	-17.28	
(max or min)**	-3.62	-17.31	-18.82	-11.38	

Note: * [(average, maximum, or minimum share price over duration of target price minus target price) / target price] x 100%
** Maximum/minimum share price if new target is higher/lower than market close on the business day prior to target price change

Samsung Securities uses the following investment ratings*

Company

BUY	Expected to increase in value by 15% or more within 12 months and is highly attractive within sector
HOLD	Expected to increase/decrease in value by less than 15% within 12 months
SELL	Expected to decrease in value by 15% or more within 12 months

Industry

OVERWEIGHT	Expected to outperform market by 5% or more within 12 months
NEUTRAL	Expected to outperform/underperform market by less than 5% within 12 months
UNDERWEIGHT	Expected to underperform market by 5% or more within 12 months

* Note: Effective Jul 27, 2023, BUY, HOLD, and SELL criteria are based on expectations of share-price moves of 15% or more within 12 months

Percentage of ratings in 12 months prior to 2025.12.31

BUY(85.8%)·HOLD(14.2%)·SELL(0%)

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